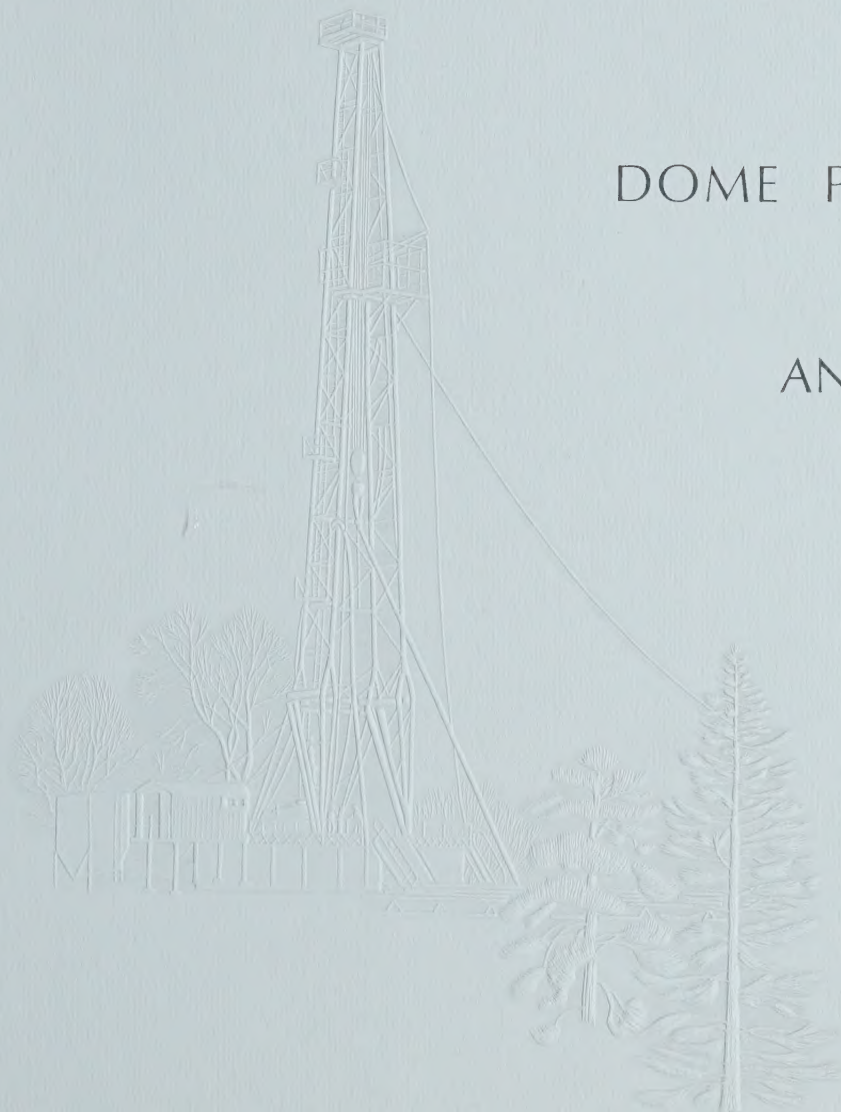


DOME PETROLEUM LIMITED

1966

ANNUAL REPORT



DOME PETROLEUM LIMITED • 1966 • ANNUAL REPORT

J. P. GALLAGHER

PRESIDENT

NO ACKNOWLEDGMENT EXPECTED

DIRECTORS

HENRY C. BRUNIE, *New York, N.Y.*

JOHN P. GALLAGHER, *Calgary, Alberta*

JOHN L. LOEB, *New York, N.Y.*

BRYCE R. MACKENZIE, *Toronto, Ontario*

CHARLES E. MAIN, *New York, N.Y.*

A. BRUCE MATTHEWS, *Toronto, Ontario*

CLIFFORD W. MICHEL, *New York, N.Y.*

WILLIAM F. MORTON, *Winchester, Mass.*

JAMES B. REDPATH, *Toronto, Ontario*

OFFICERS

CLIFFORD W. MICHEL, *Chairman of the Board*

JOHN P. GALLAGHER, *President*

CHARLES S. DUNKLEY, *Vice-President*

JAMES B. REDPATH, *Vice-President*

WILLIAM E. RICHARDS, *Vice-President and Secretary*

HENRY T. ASTLE, *Treasurer*

FRASER M. FELL, *Assistant Secretary*

CONTENTS

COMPARATIVE HIGHLIGHTS	1
REPORT OF THE DIRECTORS	2 - 11
AFFILIATED COMPANY	12
CONSOLIDATED FINANCIAL STATEMENTS	13 - 17
TEN YEAR FINANCIAL REVIEW	18
TEN YEAR OPERATING REVIEW	19
OPERATIONS MAP ...	INSIDE BACK COVER

Dome's canvas-shrouded North Zama #9-13 well. All Dome wells in this area are protected in this way to prevent the scouting of drilling and testing activity by competing companies. Extreme precautions are necessary to keep vital well information confidential and thereby maintain a competitive advantage in the bidding for adjoining unleased Crown acreage.



COMPARATIVE HIGHLIGHTS

MAY - 5 1967

FINANCIAL	1966	1965	1964
Gross Income (after royalties)	\$ 7,791,172	\$ 7,147,509	\$ 6,811,464
Cash Flow (after operating, administrative and interest expenses)	\$ 5,842,263	\$ 5,532,246	\$ 5,552,538
Cash Flow per share	\$2.23	\$2.12	\$2.14
Net Income (after all charges)	\$ 4,342,009	\$ 4,049,655	\$ 4,267,262
Net Income per share	\$1.66	\$1.55	\$1.64
Shares Outstanding	2,621,700	2,613,700	2,597,900
Working Capital Deficit	\$ 1,621,196	\$ 1,428,769	\$ 983,236
Long Term Debt	\$ 4,489,223	\$ 1,878,108	\$ 1,102,703

Figures are presented on a full-cost accounting basis.

OPERATING	1966	1965	1964
Oil Production (net barrels)	2,648,426	2,486,081	2,394,302
Gas Production (billion cubic feet)	12.2	10.7	9.9
Proved Oil & Condensate Reserves (net barrels)	47,339,000 *	44,376,000	42,437,000
Proved Gas Reserves (billion cubic feet)	292 *	286	267
Wells Drilled	87	92	70
Footage Drilled	440,052	500,188	347,336
Land - Gross Acres	6,675,450	5,394,589	6,000,672
Land - Net Acres	3,588,652	2,708,426	2,969,363

*Excludes all Zama reserves.

REPORT OF THE DIRECTORS

To The Shareholders

Significant oil and gas discoveries on Dome's Zama properties in northwest Alberta highlighted the Company's operations during the past year and have continued into 1967. Increases were recorded in all other phases of the Company's operations as follows:

- Oil production increased 6% to 2,648,426 barrels and gas production increased 14% to 12.2 billion cubic feet.
- Proved reserves (after 1966 production and excluding Zama) increased a net 7% to 47,339,000 barrels of oil and a net 2% to 292 billion cubic feet of gas.
- Drilling totalled 87 gross wells including 35 oil producers and 16 gas producers.
- Gross income increased 9%, cash flow 6% and net income 7%.
- The Company's associate, Provo Gas Producers Limited, recorded a 17% increase in gross income to \$8,420,712, a 12% increase in cash flow to \$3,876,077 and a 21% increase in net income to \$2,081,816.

FINANCIAL

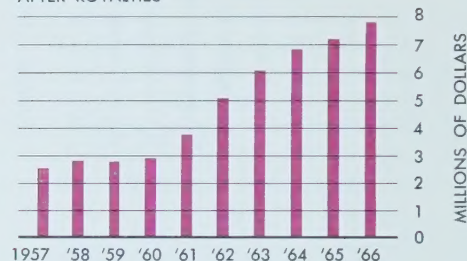
Gross income (after all royalties) increased 9% to \$7,791,172 from \$7,147,509 in 1965. Cash flow (gross income less operating, administrative and interest expense) increased 6% to \$5,842,263 or \$2.23 per share from \$5,532,246 or \$2.12 per share.

Net income (after all charges) increased 7% to \$4,342,009 or \$1.66 per share from \$4,049,655 or \$1.55 per share in the previous year.

In September, 1966, Dome's associated company, Provo Gas Producers Limited, offered its shareholders the right to subscribe for 600,000 additional shares of its common stock at a price of \$3.15 per share. Dome purchased its proportionate share of this offer,

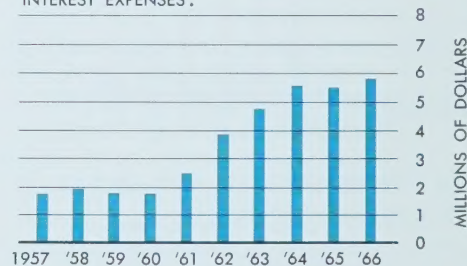
GROSS INCOME

AFTER ROYALTIES



CASH FLOW

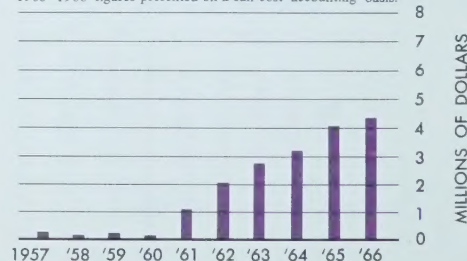
AFTER OPERATING, ADMINISTRATIVE AND INTEREST EXPENSES.



NET INCOME

AFTER ALL CHARGES

1965-1966 figures presented on a full-cost accounting basis.



amounting to 219,369 shares, and an additional 42,488 shares that were not taken down by other shareholders. At year-end, Dome held a total of 3,567,602 Provo shares representing 38.3% of the shares outstanding.

Dome's working capital position declined by \$192,427 during the year to a deficit of \$1,621,196.

Earned surplus at December 31, 1966, increased to \$23,-256,330 from \$18,914,321 at the previous year-end. The 1966 development costs decreased to \$3,894,362 from \$4,118,416 while exploration costs increased to \$1,762,363 from \$1,052,055 in 1965. In addition to a year-end net debt of \$6,110,419, the Company has arranged a \$7,500,000 line of credit with its bankers, repayable over a 5-year period.

The Company's investments in the shares of oil, gas and pipeline companies cost \$4,617,537 and had a market or appraised value of \$22,004,294 at December 31, 1966. These investments include 47,041 shares of Producers Pipelines Ltd. which cost \$304,722 and had an appraised value of \$2,200,000. At year-end the Company's holdings in Provo had a market value of \$19,443,431. If the Company's interest in Provo were consolidated, Dome's 1966 cash flow would be increased by 56¢ to \$2.79 per share and its net income by 30¢ to \$1.96 per share.

FIRST QUARTER, 1967

Dome's gross income for the first quarter, 1967, increased 20% to an estimated \$2,184,000 from \$1,815,000 for this quarter in 1966. Cash flow for this quarter increased 18% to \$1,652,000 or 63¢ per share from \$1,397,000 or 53¢ per share last year.

SOURCE OF 1966 INCOME

CRUDE OIL SALES ➤

82.8%

NATURAL GAS SALES ➤

14.6%

OTHER INCOME ➤

2.6%

DISTRIBUTION OF 1966 INCOME

OPERATING ➤

19.1%

GENERAL & ADMINISTRATIVE EXPENSES ➤

2.7%

INTEREST ➤

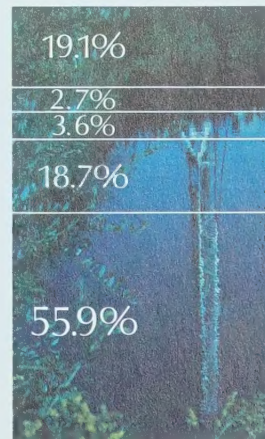
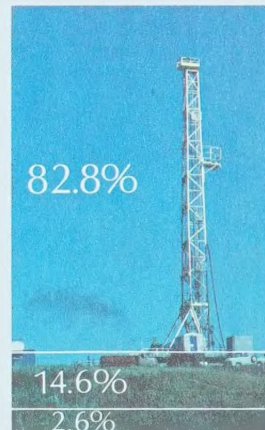
3.6%

DEPRECIATION & DEPLETION ➤

18.7%

NET INCOME ➤

55.9%





Drilling on Company acreage in the Willesden Green field. The Company participated in drilling 14 oil wells in this field in 1966 and has drilled another 6 since year-end. These bring its field total to 34 oil producers.

PRODUCTION

Net oil production (after all royalties) increased 6% in 1966 to 7,256 barrels per day from 6,811 barrels per day in 1965.

Oil production is expected to increase substantially in 1967 as a result of successful waterflood programs in such fields as Boundary Lake and Willesden Green and new production in the North Zama, Willesden Green and North Swan Hills fields.

Gas production increased 14% in 1966 to 33.5 million cubic feet per day from 29.4 million cubic feet per day in 1965.

At December 31, 1966, the Company held the equivalent of 252 net producing oil wells and 29 net producing gas wells. Dome also held royalty interests in 73 producing oil or gas wells at year-end.

FIRST QUARTER, 1967

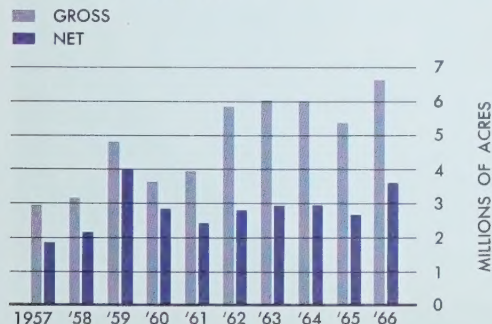
Net oil production in the first quarter of 1967 averaged 8,300 barrels per day compared with 6,982 barrels per day in the same quarter in 1966. Gas production was estimated at 37.5 million cubic feet per day compared with 31.8 million cubic feet per day last year.

RESERVES

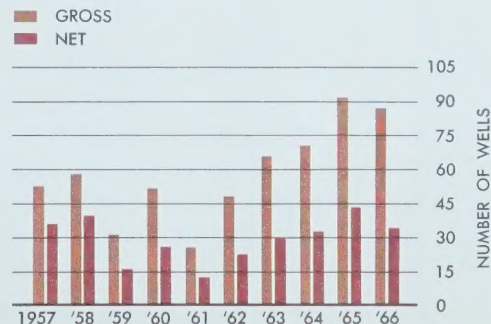
The Company's net proved recoverable oil and condensate reserves at December 31, 1966, (exclusive of Zama reserves) were estimated at 47,339,000 barrels after deducting 1966 production and all royalties and partners' interests. This compares with reserves of 44,376,000 barrels in 1965.

Proved recoverable natural gas reserves at December 31, 1966, (exclusive of Zama reserves) were estimated at 292 billion cubic feet after deducting

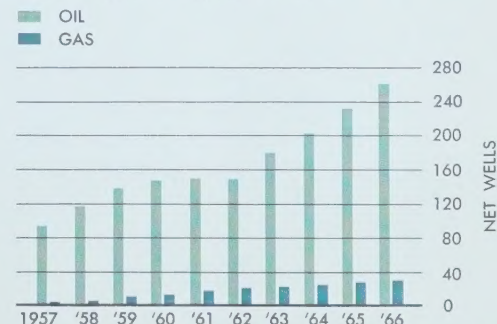
LAND HOLDINGS



WELLS DRILLED

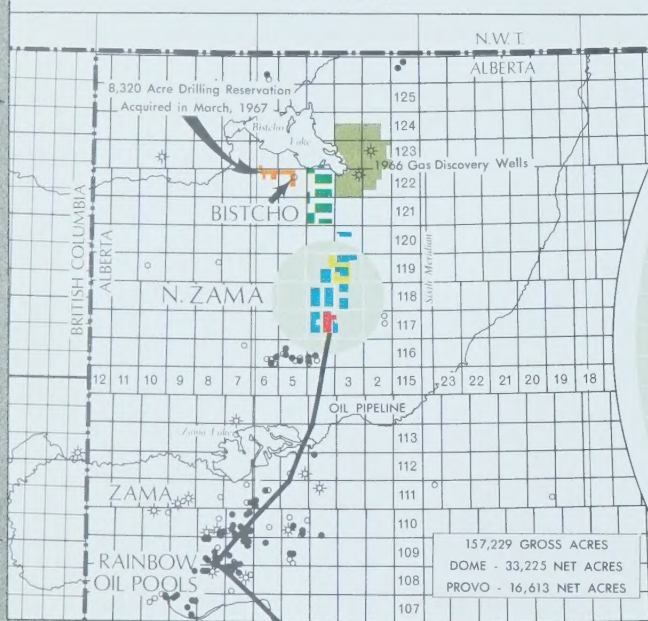


NET PRODUCING WELLS



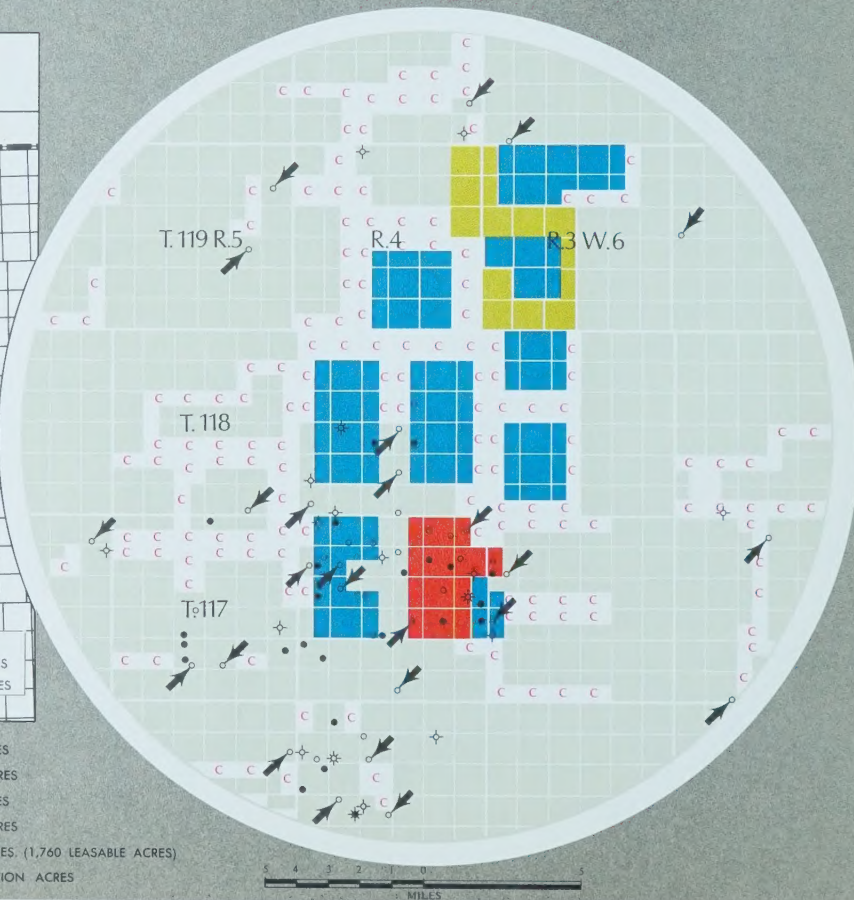
Report of the Directors

RAINBOW - NORTH ZAMA - BISTCHO N.W. ALBERTA



- LOCATION
- DRILLING WELL
- OIL WELL
- ★ GAS WELL
- ✱ ABANDONED WELL
- ⊠ UNLEASED CROWN RESERVE

DOME 66-2/3% - PROVO 33-1/3%	5,760 LEASE ACRES
DOME 33-1/3% - PROVO 16-2/3%	32,640 LEASE ACRES
DOME 22-2/9% - PROVO 11-1/9%	1,760 LEASE ACRES
DOME 8-1/3% - PROVO 4-1/6%	22,880 LEASE ACRES
DOME 22-2/9% - PROVO 11-1/9%	7,680 ACRE DR. RES. (1,760 LEASABLE ACRES)
DOME 11-1/9% - PROVO 5 5/9%	78,189 RESERVATION ACRES



Aerial view of the Company's North Zama #9-13 well. This area of northwest Alberta has been the centre of seismic operations and exploratory drilling activity during the last six months.

1966 production and partners' interests. This compares with reserves of 286 billion cubic feet in 1965.

Dome holds a 38.3% interest in Provo Gas Producers Limited which, at December 31, 1966, had proved recoverable oil reserves of 11,928,000 net barrels and proved recoverable natural gas reserves of 627 billion cubic feet.

The Dome and Provo reserves exclude the oil and gas discoveries at North Zama as this information is being held confidential in order to retain a competitive advantage in bidding on unleased Crown acreage in this area.

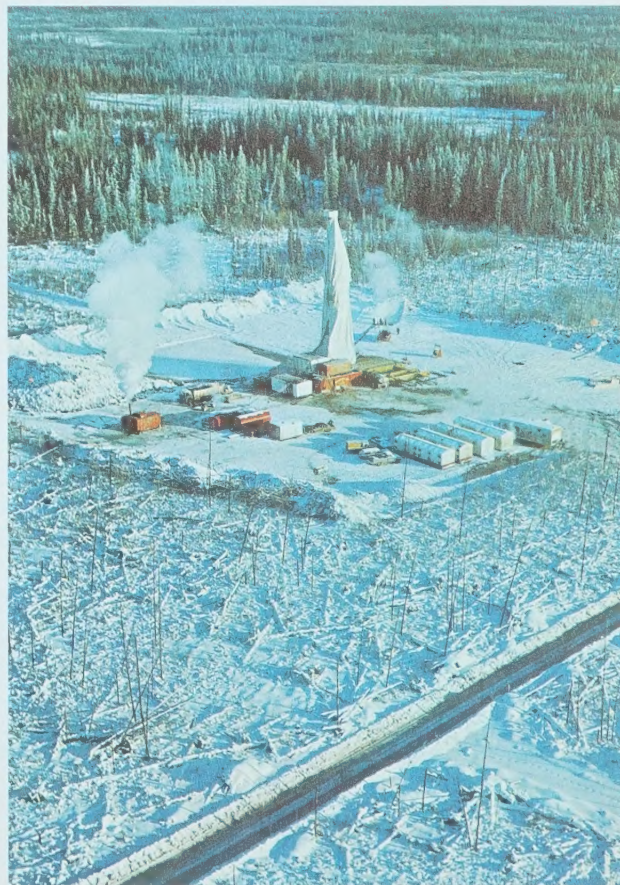
The Dome and Provo reserve estimates are prepared by the independent consulting firm of James A. Lewis Engineering Co. Ltd.

EXPLORATION AND DEVELOPMENT

During 1966, the Company participated in drilling 87 wells (33.5 net) which resulted in 35 oil wells (15.2 net), 16 gas wells (4.7 net) and 36 dry holes (13.6 net). These include 6 dry holes that were drilled under farm-out from Dome at no cost to the Company.

In Alberta, Dome participated in drilling 53 wells in 1966 resulting in 29 oil producers and 11 gas producers. These included 3 oil discoveries and 3 gas discoveries.

The most important of these operations were centred in the North Zama area of northern Alberta. From October, 1966, through March, 1967, Dome and Provo participated in drilling 11 Keg River oil discoveries and two gas discoveries in this area. All but one of the oil wells have also discovered substantial gas reserves in formations above the Keg River oil zone. Dome and its associate, Provo, own interests varying from 50% to 100% in these



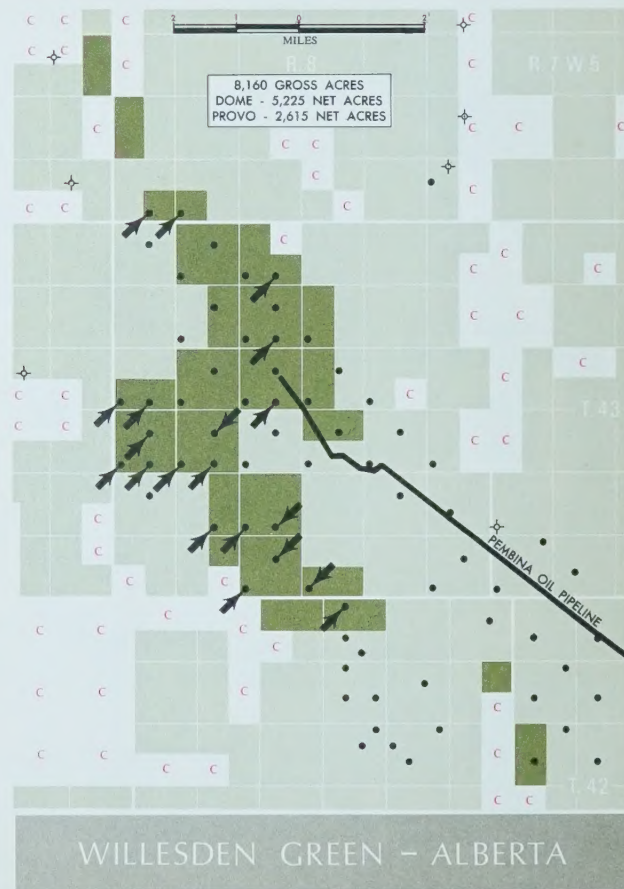
Report of the Directors

wells. Five drilling rigs are currently active on the Dome-Provo Zama acreage where it is planned to continue drilling through the remainder of the year to test the many seismic anomalies that have been mapped to date on Company lands. Casing and other supplies have been stockpiled at Zama to reduce the cost of summer drilling.

The extension of the Rainbow pipeline to the North Zama area has been completed and oil production is scheduled to commence in early April.

During 1966, Dome and Provo completed 14 oil producers in the Willesden Green field and 6 additional oil wells in the first quarter of 1967. Dome and Provo now own 34 net producing oil wells in this Cardium Sand field where a pressure maintenance waterflood project is currently being installed.

Seven oil wells were completed in South Loon Lake during 1966 to follow up this 1965 oil discovery. Two of these are dual zone oil wells. In March, 1967, Dome and Provo participated in a Granite Wash oil discovery three miles northwest of the Red Earth oil field and a successful step-out oil well one and a half miles west of this field. The discovery, as shown on the adjoining Loon Lake - Red Earth map, was made on a 6-section farm-out of Dome/Provo-interest acreage in which Dome and Provo retain a 25% interest. The step-out well was drilled on a one-section farm-out in which the Companies retained a similar interest. In addition, Dome and Provo own interests varying





from 37½% to 100% in 240,481 acres in the Loon Lake - Red Earth area.

Dome also participated in drilling 13 oil wells and 15 gas wells, consisting of:

ALBERTA

- Four oil producers in the Swan Hills field.
- One oil producer in each of the Pembina, Sturgeon Lake and Red Earth fields.
- Two exploratory gas wells in the Bistcho Lake area.
- Six gas producers in the Provost Viking Gas Unit.
- One gas producer in each of the Lone Pine Creek and Princess areas.

BRITISH COLUMBIA

- One exploratory oil well in the Bulrush area.
- One exploratory gas well in the West Peejay area.
- Two step-out gas wells in the Laprise area.
- One gas well in each of the Jedney and Stoddart areas.

SASKATCHEWAN

—One oil well in the Cantal area.

MONTANA

—Three oil producers in the Miners' Coulee area.

NORTH DAKOTA

—One oil producer in Divide County.

LAND HOLDINGS

The producing oil zone in the North Zama area is the Keg River reef of Middle Devonian age. The areal extent of this reef and the location of the Company's major land holdings along this trend are shown on the map on the inside back cover. These reef trend properties total 2,753,000 gross acres and include a recently acquired 800,000-acre spread in which Dome and Provo hold a 100% interest in the Quill Lake area of east central Saskatchewan.

Modern seismic techniques have made it possible to map more accurately reef development and other potential hydrocarbon traps. These new techniques could revitalize the search for oil and gas throughout Western Canada.

The distribution of the Company's current acreage holdings by Provinces is shown in the accompanying schedule.

LAND HOLDINGS as at December 31, 1966

	<i>Gross Acres</i>	<i>Net Acres</i>
Alberta	990,392	396,096
British Columbia	421,052	135,306
Manitoba	72,729	39,202
Northwest Territories	4,806,381	2,783,475
Ontario	4,987	4,987

Saskatchewan	285,791	176,099
Kansas	4,150	2,656
Montana	31,624	13,110
North Dakota	58,344	37,721
1966 Total	6,675,450	3,588,652
1965 Total	5,394,589	2,708,426

MARKET OUTLOOK

The recent development of major new oil reserves in Western Canada has made it imperative that new and expanding markets be found for Canadian crude oil. The Chicago-Detroit-Toledo area has a growing shortage of crude supplies estimated at 100,000 barrels per day in 1967 and increasing to 200,000 barrels per day by the end of 1968.

Interprovincial Pipe Line Company, which carries oil from Edmonton, Alberta, to Sarnia, Ontario, recently announced a 34-inch looping program from Superior, Wisconsin, west to Alberta. With its single 30-inch line from Superior east to Sarnia, currently operating at capacity, it is obvious that a second line will be required east from Superior. As both pipeline mileage and cost from Superior via Chicago to Sarnia are approximately the same as looping along the existing Superior-Mackinac-Sarnia route, the Chicago route will in all probability be chosen by Interprovincial, thereby giving Canadian oil producers access to the

AREA OF
OPERATIONS

large and expanding Chicago market.

The marketing of larger volumes of Canadian crude in the U.S. mid-west is a logical alternative to the marketing of Canadian crude in the Montreal area.

There is a rapidly growing demand for Canadian natural gas both by domestic and export transmission companies. This should result in the early marketing of gas from new discoveries.

Dome and Provo are in an excellent position to benefit from these potential new markets for both oil and gas.

The Company's record in 1966 reflects the efforts of its able and loyal staff. Your Directors have appreciated the initiative of the Company's employees and the continued support and interest of its shareholders.

On behalf of the Board,

Clifford W. Michel
Chairman

R. C. Anglen
President

March 31, 1967.



PROVO GAS PRODUCERS LIMITED

Dome now owns a 38.3% interest (3,567,602 shares) in Provo Gas Producers Limited and operates the company under contract. Since 1960 Dome has assigned to Provo a one-third interest in all of its plays except in specific areas where Dome or Provo had prior commitments.

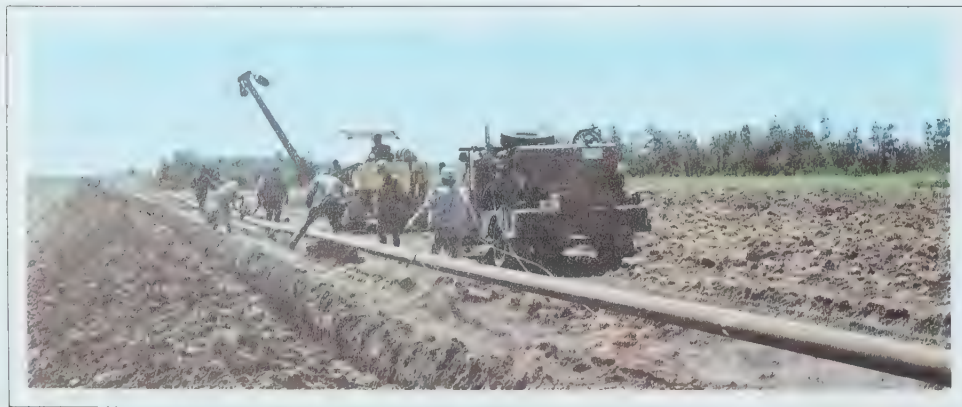
Provo is participating with Dome in the exploration of their properties in the North Zama-Bistcho Lake area. In addition, Provo developed new gas reserves on wholly-owned acreage in the North Provost and Brownfield areas in 1966. Provo participated in drilling 100 wells during the year, resulting in 34 oil wells and 37 gas wells.

Other developments in Provo's 1966 Operations were as follows:

- Gross income increased 17% to \$8,420,712.
- Cash flow increased 12% to \$3,876,077

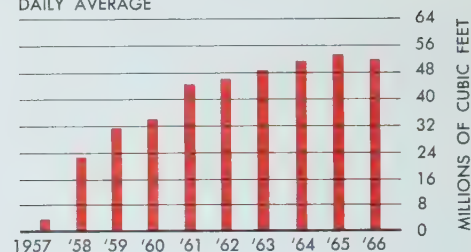
(44¢/share).

- Net income increased 21% to \$2,081,816 (24¢/share).
- Oil production increased 10% to 588,364 barrels (1,612 barrels per day).
- Gas production was relatively unchanged at 19.0 billion cubic feet (52.1 million cubic feet per day).
- Residue gas production from oil fields increased 11% to 7.1 billion cubic feet (19.6 million cubic feet per day).
- Liquefied petroleum gas production increased 10% to 56,691,574 Canadian gallons (155,319 gallons per day).
- Proved oil reserves increased 26% to 11,928,000 net barrels and proved gas reserves increased 15% to 627 billion cubic feet. Neither figure includes any reserves in the North Zama area.



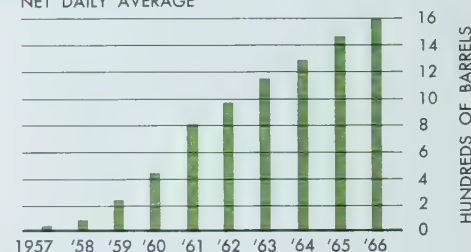
GAS PRODUCTION

DAILY AVERAGE



OIL PRODUCTION

NET DAILY AVERAGE

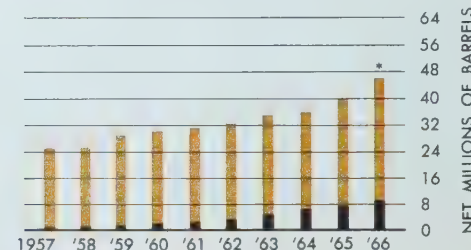


PROVED RESERVES

(OIL & OIL EQUIVALENT OF GAS)

- Net reserves after royalties and partners' interests.
- Gas reserves and production converted to barrels using a price equivalent ratio of 20,000 cubic feet per barrel.
- Excluding North Zama reserves.

■ REMAINING RESERVES
■ CUMULATIVE PRODUCTION



DOME PETROLEUM LIMITED

AND ITS
 WHOLLY OWNED
 SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1966 AND 1965

	1966	1965
INCOME:		
Crude oil sales less royalties	\$6,452,702	\$6,069,456
Gas sales less royalties	1,135,857	927,082
Investment income	148,813	107,025
Other income	53,800	43,946
	<u>7,791,172</u>	<u>7,147,509</u>
DEDUCT:		
Operating expenses and well workover costs	1,490,617	1,336,684
General and administrative expenses net of management fees	115,706	77,001
Interest	342,586	201,578
	<u>1,948,909</u>	<u>1,615,263</u>
Cash income from operations	<u>5,842,263</u>	<u>5,532,246</u>
DEDUCT:		
Depletion	1,127,266	1,067,916
Depreciation	372,988	414,675
	<u>1,500,254</u>	<u>1,482,591</u>
Net income for the year (Notes 2 and 6)	<u>\$4,342,009</u>	<u>\$4,049,655</u>

See accompanying notes.

PROVO GAS PRODUCERS LIMITED

Dome now owns a 38.3% interest (3,567,602 shares) in Provo Gas Producers Limited and operates the company under contract. Since 1960 Dome has assigned to Provo a one-third interest in all of its plays except in specific areas where Dome or Provo had prior commitments.

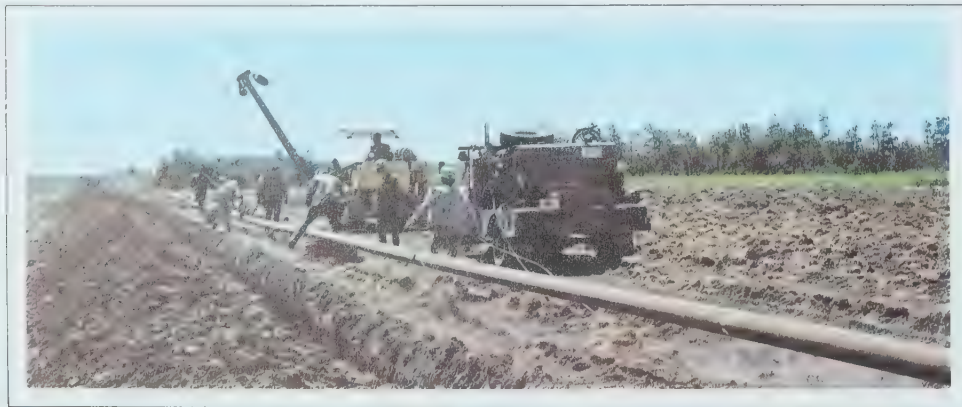
Provo is participating with Dome in the exploration of their properties in the North Zama-Bistcho Lake area. In addition, Provo developed new gas reserves on wholly-owned acreage in the North Provost and Brownfield areas in 1966. Provo participated in drilling 100 wells during the year, resulting in 34 oil wells and 37 gas wells.

Other developments in Provo's 1966 Operations were as follows:

- Gross income increased 17% to \$8,420,712.
- Cash flow increased 12% to \$3,876,077

(44¢/share).

- Net income increased 21% to \$2,081,816 (24¢/share).
- Oil production increased 10% to 588,364 barrels (1,612 barrels per day).
- Gas production was relatively unchanged at 19.0 billion cubic feet (52.1 million cubic feet per day).
- Residue gas production from oil fields increased 11% to 7.1 billion cubic feet (19.6 million cubic feet per day).
- Liquefied petroleum gas production increased 10% to 56,691,574 Canadian gallons (155,319 gallons per day).
- Proved oil reserves increased 26% to 11,928,000 net barrels and proved gas reserves increased 15% to 627 billion cubic feet. Neither figure includes any reserves in the North Zama area.



CONSOLIDATED
FINANCIAL
STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1966 AND 1965

	1966	1965
INCOME:		
Crude oil sales less royalties	\$6,452,702	\$6,069,456
Gas sales less royalties	1,135,857	927,082
Investment income	148,813	107,025
Other income	53,800	43,946
	<u>7,791,172</u>	<u>7,147,509</u>
DEDUCT:		
Operating expenses and well workover costs	1,490,617	1,336,684
General and administrative expenses net of management fees	115,706	77,001
Interest	342,586	201,578
	<u>1,948,909</u>	<u>1,615,263</u>
Cash income from operations	<u>5,842,263</u>	<u>5,532,246</u>
DEDUCT:		
Depletion	1,127,266	1,067,916
Depreciation	372,988	414,675
	<u>1,500,254</u>	<u>1,482,591</u>
Net income for the year (Notes 2 and 6)	<u>\$4,342,009</u>	<u>\$4,049,655</u>

See accompanying notes.

DOME PETROLEUM LIMITED and its wholly owned subsidiaries

CONSOLIDATED
BALANCE
SHEET

DECEMBER 31, 1966
AND 1965

ASSETS	1966	1965
CURRENT:		
Cash	\$ 548,931	\$ 261,447
Short term deposit and marketable securities at cost which approximates market	3,476,889	—
Accounts receivable—		
Trade	1,688,252	1,430,636
Affiliates	548,178	342,981
Inventory of casing and supplies at cost	147,142	253,263
Prepaid expenses	10,791	32,340
	<u>6,420,183</u>	<u>2,320,667</u>
INVESTMENTS — AT COST (Note 3):		
Shares with quoted market values (aggregate market value, 1966 - \$19,804,294; 1965 - \$7,523,504)	4,312,815	3,046,205
Other shares and debentures	306,563	306,663
	<u>4,619,378</u>	<u>3,352,868</u>
PROPERTY AND EQUIPMENT — AT COST (Note 2):		
Oil and gas properties less accumulated depletion (1966 - \$5,935,951; 1965 - \$5,221,187)	26,365,141	21,782,791
Production and other equipment less accumulated depreciation (1966 - \$2,043,684; 1965 - \$1,846,901)	7,837,167	6,451,917
Office building less accumulated depreciation (1966 - \$271,311; 1965 - \$231,654)	958,854	998,512
	<u>35,161,162</u>	<u>29,233,220</u>
OTHER:		
Long term advance	48,946	58,388
Due from officer re purchase of shares	167,500	182,500
Drilling reservation and other deposits	116,342	100,801
	<u>332,788</u>	<u>341,689</u>
	<u>\$46,533,511</u>	<u>\$35,248,444</u>
See accompanying notes.		

LIABILITIES

CURRENT:

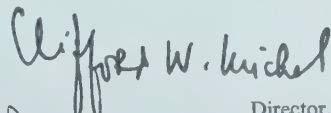

Bank loans (Note 4)	\$ 3,000,000	\$ 2,200,000
Accounts payable—		
Trade	1,699,913	1,289,114
Affiliates	14,168	19,169
7% Debenture (Note 4)	3,000,000	—
Accrued interest on long term debt	104,703	21,558
Instalments on long term debt due within one year	222,595	219,595
	<u>8,041,379</u>	<u>3,749,436</u>

LONG TERM DEBT (Note 4)	<u>4,489,223</u>	<u>1,878,108</u>
-----------------------------------	------------------	------------------

SHAREHOLDERS' EQUITY:

Capital (Note 5)—		
Authorized — 5,000,000 shares of a par value of \$2.50 each		
Issued — 2,621,700 shares	6,554,250	6,534,250
Paid-in surplus (per statement)	4,192,329	4,172,329
Earned surplus (per statement)	23,256,330	18,914,321
	<u>34,002,909</u>	<u>29,620,900</u>

On behalf of the Board:


 Director.

 Director.

\$46,533,511 \$35,248,444

AUDITORS' REPORT

To the Shareholders of Dome Petroleum Limited.

We have examined the consolidated balance sheet of Dome Petroleum Limited and its wholly owned subsidiaries at December 31, 1966 and the consolidated statements of income, paid-in surplus, earned surplus and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances, except that, for reasons of corporate policy explained in Note 2 to the financial statements, data regarding the Company's North Zama oil and gas reserves were not made available to us.

In our opinion, subject to such adjustment of the provisions for depletion and depreciation and of net income as would result from the inclusion of the North Zama reserves mentioned above in the computations for 1966, the aforementioned financial statements present fairly the financial position of Dome Petroleum Limited and its wholly owned subsidiaries as at December 31, 1966 and the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.,
 Chartered Accountants.

Calgary, Alberta.
 February 28, 1967.

DOME PETROLEUM LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1966

SOURCE OF FUNDS:

Cash income from operations	\$5,842,263
Proceeds from issue of debentures	2,833,710
Proceeds from issues of capital stock	40,000
Reservation deposits, investments and other assets	49,041
	<u>8,765,014</u>

APPLICATION OF FUNDS:

Expenditures for exploration, development, property and equipment — net	7,428,196
Investment in shares of Provo Gas Producers Limited	1,306,650
Repayment of long term debt	222,595
	<u>8,957,441</u>

Decrease in working capital	<u>\$ 192,427</u>
---------------------------------------	-------------------

CONSOLIDATED STATEMENT OF EARNED SURPLUS

YEARS ENDED DECEMBER 31, 1966 AND 1965

	1966	1965
Balance at beginning of year	\$18,914,321	\$14,956,275
Less deficit at January 1, 1965 of subsidiary not previously consolidated (Note 1)		91,609
	<u>18,914,321</u>	<u>14,864,666</u>
Net income for the year	4,342,009	4,049,655
	<u>4,342,009</u>	<u>4,049,655</u>
Balance at end of year	<u>\$23,256,330</u>	<u>\$18,914,321</u>

CONSOLIDATED STATEMENT OF PAID-IN SURPLUS

YEARS ENDED DECEMBER 31, 1966 AND 1965

	1966	1965
Balance at beginning of year	\$ 4,172,329	\$ 4,132,829
Premium on sale of shares (Note 5)	20,000	39,500
	<u>20,000</u>	<u>39,500</u>
Balance at end of year	<u>\$ 4,192,329</u>	<u>\$ 4,172,329</u>

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1966

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Dome Leaseholds Limited, Dome Realty Limited and Dome Petroleum Corp. (a U.S. corporation). The accounts of Dome Realty Limited had not been included in the consolidation in previous years and accordingly the 1965 statements have been re-stated to include the accounts of this subsidiary.

The accounts of Dome Petroleum Corp. have been converted to Canadian dollars on the following basis: current assets and current liabilities at the rate of exchange in effect at the year-end, fixed assets and long-term debt at the rates in effect on the dates of acquisition and income and expenses at the average rates for the year. The net exchange differential, which is not material in amount, has been included in income.

2. ACCOUNTING PRACTICE

The companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on estimated proven reserves of oil and gas. Depreciation of plant and equipment is provided on the unit of production basis.

During the year significant oil and gas discoveries were made in the North Zama region of Alberta. In order to protect its position in future competitive bidding on adjoining Crown acreage, the Company has elected not to disclose reserves of oil and gas for this area or take them into account in computing the 1966 provisions for depletion and depreciation. Accordingly, depletion and depreciation for 1966 have been computed using the same rates per barrel as were used in 1965. The inclusion of the North Zama reserves would have resulted in a reduction in the 1966 provisions for depletion and depreciation.

3. INVESTMENTS

The Company's investment in shares of companies with quoted market values consists of the following:

	Number of Shares	Cost	Quoted Market Values at December 31, 1966
Provo Gas Producers Limited	3,567,602	\$4,265,790	\$19,443,431
Pembina Pipe Line Limited ..	22,900	28,625	249,037
Alberta Gas Trunk Line Company Limited	3,680	18,400	111,826
		<u>\$4,312,815</u>	<u>\$19,804,294</u>

Because of the number of shares of Provo Gas Producers Limited representing 38% ownership, the market value shown above is not necessarily indicative of the amount that would be realized if this investment were to be sold.

The Company's investment in other shares and debentures includes 3,147 common shares and 43,894 preferred shares of Producers Pipelines Ltd. at a cost of \$304,722.

4. BANK LOANS AND DEBT

Current bank loans of \$3,000,000 are secured by assignment of book debts and an undertaking to provide oil and gas security if requested.

Short term debt of \$3,000,000 at 7% due to Dome Mines Limited is secured by a pledge of certain producing properties in the Province of British Columbia.

Details of the companies' long-term debt are as follows:

	1966	1965
6½% First Mortgage Bonds, maturing annually from 1967 to 1985	\$ 970,000	\$ 995,000
Bank loan (U.S. \$840,000) payable U.S. \$45,000 quar- terly to December 31, 1968 and U.S. \$60,000 quarterly thereafter (secured by cer- tain producing properties in the United States)	908,108	1,102,703

6% Series "A" Debenture due
February 15, 1970 (secured
by a specific charge on
certain producing properties
in the Province of Sas-
katchewan)

	2,833,710	
	<u>4,711,818</u>	<u>2,097,703</u>
Less instalments due within one year included in cur- rent liabilities	222,595	219,595
	<u>\$4,489,223</u>	<u>\$1,878,108</u>

5. CAPITAL

During the year 8,000 shares were issued to officers and employees on exercise of options for \$40,000 cash. The par value of the shares issued, \$20,000 was credited to share capital account and the balance to paid-in surplus.

Under stock option plans instituted on November 21, 1960 and on June 15, 1966, options are outstanding to employees to purchase shares of the Company's capital stock as follows:

3,300 shares at \$5 per share exercisable on various dates to June 1, 1972.

55,000 shares at \$14.25 per share exercisable on various dates to June 15, 1971.

6. INCOME TAXES

Under Canadian income tax law, exploration and development expenditures including property acquisition costs may be deducted from income or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the year ended December 31, 1966 and at that date an excess of such expenditures amounting to approximately \$5,160,000 and capital cost allowances of approximately \$3,119,000, were available to be carried forward against future taxable income.

7. PROFIT AND LOSS

Aggregate remuneration of Directors as Officers (no Director's fees, as such, are paid)	\$ 27,370
Interest on long-term debt	145,936

TEN YEAR FINANCIAL REVIEW

	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
Gross Income (after royalties)	\$7,791,172	\$7,147,509	\$6,811,464	\$6,027,688	\$5,028,492	\$3,724,742	\$2,911,712	\$2,726,384	\$2,822,195	\$2,526,993
Operating & Workover Expenses	1,490,617	1,336,684	1,129,554	1,108,682	888,960	782,637	659,868	543,167	525,862	524,809
General & Admin. Expenses	115,706	77,001	114,086	117,812	95,596	98,276	96,974	101,685	115,064	73,487
Interest	342,586	201,578	15,286	44,966	185,142	445,135	382,031	258,881	212,550	204,948
Cash Flow (after operating, administrative and interest expenses)	5,842,263	5,532,246	5,552,538	4,756,228	3,858,794	2,398,694	1,772,839	1,822,651	1,968,719	1,723,749
Cash Flow per Share	2.23	2.12	2.14	1.83	1.49	.93	.69	.72	.78	.69
Depreciation & Depletion	1,500,254	1,482,591	1,227,043	968,725	869,853	733,608	633,832	847,915	828,609	820,384
Net Income (after all charges)	4,342,009*	4,049,655*	3,184,636	2,754,568	2,058,227	1,110,421	126,853	207,341	111,969	204,131
Net Income per Share	1.66	1.55	1.23	1.06	.79	.43	.05	.08	.04	.08
Shares Outstanding	2,621,700	2,613,700	2,597,900	2,593,600	2,589,900	2,586,800	2,571,400	2,521,400	2,519,000	2,503,000
Working Capital (Deficit)	(1,621,196)	(1,428,769)	(983,236)	205,287	230,282	(514,336)	(5,332,291)	(3,600,368)	(1,743,206)	784,868
Long Term Debt	4,489,223	1,878,108	1,102,703	—	—	7,503,000	2,665,000	2,915,000	3,165,000	3,415,000
Investment in Other Companies (at cost)	4,619,378	3,352,868	3,495,311	3,089,265	2,903,609	2,997,922	3,005,271	2,870,272	2,845,807	1,756,835
Land Rentals	377,801	343,569	324,707	271,999	257,432	210,894	253,207	220,463	212,500	267,813
Exploration Costs	1,762,363	1,052,055	816,152	760,936	673,282	343,771	758,947	546,932	815,641	431,421
Development Costs	3,894,362	4,118,416	2,817,388	3,061,000	2,684,031	1,609,234	2,080,038	1,148,047	1,436,519	2,106,083
Land Acquisition Costs	1,393,670	459,852	3,859,188	649,417	1,267,384	521,639	208,619	1,342,995	550,720	510,172

*1966 and 1965 figures are presented on a full-cost accounting basis.

TEN YEAR OPERATING REVIEW




	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
Oil Production (net bbls)	2,648,426	2,486,081	2,394,302	2,143,591	1,747,363	1,268,639	1,214,987	1,163,048	1,115,571	942,394
Average Daily Oil Production (net bbls)	7,256	6,811	6,541	5,873	4,787	3,476	3,320	3,186	3,056	2,583
Gas Production (million cubic feet)	12,237	10,723	9,874	9,555	10,090	7,570	1,970	550	—	—
Average Daily Gas Production (million cubic feet)	33.5	29.4	27.0	26.2	27.6	20.7	5.3	1.5	—	—
Est. Proved Oil & Condensate Reserves (net bbls)	47,339,000 **	44,376,000	42,437,000	41,315,000	38,746,000*	47,646,000	41,738,000	40,190,000	29,220,000	26,210,000
Est. Proved Gas Reserves (billion cubic feet)	292 **	286	267	207	206	188	145	173	47	21
Wells Drilled - Gross	87	92	70	66	48	26	52	31	58	53
Working Interest - Gross	81	82	61	64	48	21	39	26	58	53
Working Interest - Net	33.5	43.7	32.5	29.8	22.4	12.3	26.7	16.5	40.2	36.1
Royalty Interest	6	10	9	2	—	5	13	5	—	—
Exploratory - Gross	33	31	22	8	12	7	17	11	16	17
Step Out and Development - Gross	54	61	48	58	36	19	35	20	42	36
Footage Drilled	440,052	500,188	347,336	390,805	267,674	125,789	243,401	138,724	268,264	194,239
Net Oil Wells	252	233	202	178	149	150	148	137	118	93
Net Gas Wells	29	27	25	22	21	17	13	9	4	3
Acreage - Gross	6,675,450	5,394,589	6,000,672	6,016,376	5,844,746	3,938,254	3,655,235	4,831,521	3,195,001	2,988,777
Acreage - Net	3,588,652	2,708,426	2,969,363	2,971,808	2,829,144	2,469,540	2,819,040	4,055,570	2,197,788	1,909,098

*Reduction results from sale of Redwater oil reserves for cash.

**Excludes all Zama reserves.



DOMES HOLDINGS IN WESTERN CANADA

MAP LEGEND

Dome P. & N.G. Permit
and Lease Interest 
Oil Field 
Gas Field 
Products Pipeline - - - - -

Oil Pipeline ———
Oil Pipeline
1967 Additions - - - - -
Gas Pipeline ———
Gas Pipeline (Proposed) - - - - -

PROVO INTERESTS

Gas Processing Plant 
Retail Propane
Distribution 
Products Pipeline - - - - -

MAJOR PRODUCING PROPERTIES

Map Reference No.	OIL		BRITISH COLUMBIA	15.	Pinto
		9.	Boundary Lake	16.	Steelman
	ALBERTA	10.	Weasel		
1.	Drumheller		MANITOBA		MONTANA
2.	Loon Lake	11.	North Virden	17.	Fred & George Creek
3.	Pembina				
4.	Red Earth		SASKATCHEWAN		GAS
5.	Rimbey				
6.	Sturgeon Lake	12.	Cantal		BRITISH COLUMBIA
7.	Swan Hills	13.	Douglaston		
8.	Willesden Green	14.	Midale	18.	Laprise

DISTRIBUTION OF PRODUCTION

	1966		First Quarter, 1967	
	Oil Bbls/day	Gas Mmcft/day	Oil Bbls/day	Gas Mmcft/day
Alberta	1,873	5.1	2,300	7.0
British Columbia	1,978	26.0	2,700	28.5
Manitoba	269	—	300	—
Saskatchewan	2,699	2.4	2,630	2.0
United States	437	—	370	—
Total	<u>7,256</u>	<u>33.5</u>	<u>8,300</u>	<u>37.5</u>

DETAIL MAPS

NORTH ZAMA AREA

SEE DETAIL MAP PAGE 6

LOON LAKE AREA

SEE DETAIL MAP PAGE 9

WILLESDEN GREEN AREA

SEE DETAIL MAP PAGE 8



